

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 SSO-00 NSCE-00
USIE-00 INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 PRS-01 SP-02 SOE-02 OMB-01 DOE-11 STRE-00
/114 W

-----119979 011956Z /43

O 011927Z FEB 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 4614

INFO ALL EC CAPITALS IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 02000

USEEC

GENEVA ALSO FOR MTN

PARIS ALSO FOR OECD

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: EC STEEL POLICY

REF: STATE 25990

1. DCM DELIVERED NOTE (REFTEL) TO DAVIGNON'S CHEF DE CABINET HUGO PAEMAN (IN DAVIGNON'S ABSENCE) AND DEPUTY DIRECTOR GENERAL OF DG-I, LOEFF, ON FEBRUARY 1. LOEFF STATED THAT PRELIMINARY THINKING OF THE COMMISSION REGARDING FEBRUARY 15, OECD MEETING IS THAT IT SHOULD NOT BECOME MUTUAL RECRIMINATION MATCH BUT THAT US AND EC SHOULD GIVE SOME POSITIVE THRUST TO THE DISCUSSION, ESPECIALLY CONSIDERING THE PROBABLE HIGH DEGREE OF PRESS
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INTEREST. LOEFF HAD AS YET NO SPECIFIC PROPOSALS IN MIND FOR THIS, BUT MAY HAVE SOME TO ADVANCE DURING TRI-LATERAL ON FEBRUARY 14.

2. COMMISSION OFFICIALS EXPRESSED CURIOSITY REGARDING PENULTIMATE PARAGRAPH OF NOTE WHICH REFERS TO "ONE OR MORE ALTERNATIVE APPROACHES THAT COULD BE AS EFFECTIVE

AS THE PROPOSED BILATERAL AGREEMENTS AND SUPERIOR TO THEM IN INTERNATIONAL ACCEPTABILITY." LOEFF QUERIED DCM AS TO WHETHER THIS MIGHT BE RELATED TO PREVIOUS US PROPOSAL FOR SECTORAL TALKS ON STEEL IN MTN. DCM REPLIED THAT WE HAD NO INFORMATION BUT THAT THIS SHOULD PROBABLY BE SEEN IN THE CONTEXT OF NEXT STEPS FOR STEEL PRODUCING NATIONS, AND HAT THIS POINT COULD BE SUBJECT OF DISCUSSIONS IN BRUSSELS AND OECD.

3. LOEFF NOTED THAT DAVIGNON WAS SCHEDULED TO GIVE A RUNDOWN OF COMMISSION PROGRESS IN ITS BILATERAL NEGOTIATIONS WITH STEEL TRADING PARTNERS DURING THE FEBRUARY 7 MEETING OF THE EC FOREIGN MINISTERS COUNCIL. LOEFF ALSO ASKED WHO US REPRESENTATIVES WOULD BE AT FEBRUARY 13 AND 14 MEETING.

4. IN A SEPARATE CONVERSATION PIERRE DEFRAIGNE, WHO HAS PORTFOLIO FOR STEEL IN DAVIGNON'S CABINET, GAVE ECONOMIC COUNSELOR A RUNDOWN ON FEBRUARY 1 OF DAVIGNON'S VIEWS ON TRILATERAL DISCUSSIONS AND CURRENT NEGOTIATIONS WITH THE COMMUNITY'S STEEL SUPPLIERS.

5. DEFRAIGNE STATED THAT THE JAPANESE REPRESENTATIVE, AMAYA, WILL ARRIVE IN BRUSSELS ON FEBRUARY 12. DAVIGNON, AMAYA AND ADVISORS WILL HAVE DINNER TOGETHER ON THE EVENING OF THE 12TH AND WILL USE THE OCCASION TO DISCUSS THE CONFIDENTIAL

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EC-JAPANESE BILATERAL STEEL ARRANGEMENT. (EC NEGOTIATORS ARE NOW IN TOKYO DISCUSSING TECHNICAL ASPECTS OF THE PROPOSED AGREEMENT.) THE TWO SIDES WILL CONTINUE DISCUSSIONS AT THE COMMISSION ON FEBRUARY 13, AND IT IS ANTICIPATED THE FINAL TIMING OF THE AGREEMENT WILL BE AGREED UPON AT THAT TIME. THE FORMAL AGREEMENT WILL NOT BE SIGNED UNTIL AFTER THE FEBRUARY 15 OECD MEETING.

6. AS ALREADY AGREED AMONG PARTICIPANTS, THE TRILATERAL MEETINGS WILL COMMENCE ON THE MORNING OF FEBRUARY 14. WITH RESPECT TO THE TRILATERAL MEETINGS, DEFRAIGNE SAID HE WISHED TO MAKE THREE POINTS:

A. DAVIGNON WOULD LIKE TO DISCUSS MONITORING QUESTIONS RELATING NOT ONLY TO TRADE BUT TO STEEL PRODUCTION AND PLANS OF VARIOUS COUNTRIES FOR RESTRUCTURING THEIR STEEL INDUSTRIES. DEFRAIGNE COMMENTED THAT DAVIGNON WANTS TO BE SURE THAT WE DO NOT LOSE SIGHT OF THE NEED FOR STRUCTURAL CHANGES IN THE WORLD-WIDE STEEL INDUSTRY AND THAT RESTRUCTURING IS NECESSARY NOT ONLY IN EUROPE BUT ALSO, FOR EXAMPLE, IN JAPAN WHICH NOW ALSO HAS OVERCAPACITY FOR STEEL PRODUCTION.

B. DAVIGNON BELIEVES THAT ALL STEEL EXPORTERS SHOULD COOPERATE IN EFFORTS TO INCREASE STEEL PRICES ON EXPORT MARKETS AND THAT THE US, EC AND JAPAN SHOULD COORDINATE TOWARD THIS END. DEFRAIGNE ADDED THAT IT IS ESPECIALLY IMPORTANT THAT WE SOMEHOW PUT PRESSURE ON THE EAST EUROPEANS, PERHAPS BEGINNING WITH A JOINT STATEMENT, TO RAISE EXPORT PRICES.

C. DAVIGNON BELIEVES THAT THE TIME HAS COME FOR THE UNITED STATES, JAPAN AND THE EC TO TALK TO SOME OF THE NEWCOMERS IN THE STEEL BUSINESS, ESPECIALLY BRAZIL AND SOUTH KOREA. HE FEELS THAT THE OECD SHOULD NOT APPEAR TO BE A CLUB OF INDUSTRIALIZED NATIONS PURSUING THEIR OWN

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INTERESTS AND EXCLUDING OTHERS WHO ARE INTERESTED IN STEEL MATTERS. THOUGH DAVIGNON DOES NOT HAVE DEFINITE

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IDEAS ABOUT WHAT THE FORUM SHOULD BE, HE THINKS IT'S IMPORTANT THAT WE FIND WAYS TO INCLUDE LDC PRODUCERS IN

THE STEEL DIALOGUE.

7. ECON COUNSELOR ASKED DEFRAIGNE IF HE COULD SAY ANY-
THING ABOUT HOW THE CURRENT BILATERAL DISCUSSIONS WITH
THE JAPANESE ARE COMING ALONG. HE REPLIED THAT THEY ARE
PROGRESSING WELL AND THAT THE EC EXPECTS NO REAL PROBLEMS
WITH THE JAPANESE BECAUSE THEY ARE BEING OFFERED
ASSURANCES OF KEEPING THEIR TONNAGE SHARE OF THE EC
MARKET AND INCREASED PRICES FOR THEIR SALES. HE ASKED
IF THE EC IS OFFERING THE JAPANESE THE OPPORTUNITY TO
EXPORT AT 1976 LEVELS AS WE UNDERSTAND IS BEING OFFERED
IN OTHER BILATERAL DISCUSSIONS OR 1977 LEVELS WHICH IN
JAPAN'S CASE WERE SOMEWHAT LOWER. DEFRAIGNE REPLIED
THAT FOR TECHNICAL REASONS IN THE CASE OF JAPAN,IT IS
NOT EXPECTED THAT THE AGREEMENT WILL REFER TO ANY
PARTICULAR YEAR, ONLY TO QUANTITIES. THESE, HOWEVER,
ARE EXPECTED TO BE MORE IN THE GENERAL AREA OF SHIPMENTS
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IN 1977 THAN 1976. HINTON

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